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7 BEFORE THE INSURANCE COMMISSIONER
8 OF THE STATE OF WASHINGTON

9 In the Matter of the Application
10 regarding the Conversion and
11 Acquisition of Control of Premera Blue
12 Cross and its Affiliates.

No. G 02-45

DECLARATION OF JOHN P.
DOMEIKA IN SUPPORT OF MOTION
TO CLARIFY SEVENTEENTH
ORDER AND DECLARE FORM A
COMPLETE

13
14 I, John P. Domeika, declare and state as follows:

15 1. I am the Senior Vice President and General Counsel of Premera Blue Cross
16 ("Premera"). I have personal knowledge of the matters set forth herein and am competent
17 to testify to those matters.

18 2. After the Schedule of Deficiencies was issued by the Commissioner's
19 counsel on September 10, 2003, Mercer Human Resources Consulting, the compensation
20 consulting firm engaged by Premera's Board of Directors, prepared recommendations to
21 the Board of Directors regarding a potential stock plan. Premera set aside time at its next
22 Board meeting (October 5, 2003) to receive a briefing by a Mercer representative and to
23 deliberate about stock plan issues.

24 3. Based upon the Board's direction at the October 5 meeting, Mercer and
25 Premera's counsel prepared additional documentation and a draft stock plan. The

DECLARATION OF JOHN P. DOMEIKA - 1

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PRESTON GATES & ELLIS LLP
925 FOURTH AVENUE
SUITE 2900
SEATTLE, WASHINGTON 98104-1158
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1 Compensation Committee and Board of Directors each held a special meeting on October
2 17, 2003, to review and consider the stock plan.

3 4. Immediately after the Board approved the stock plan on October 17, 2003,
4 I drafted a cover letter to Deputy Commissioner Odiorne (copy attached as Exhibit A) and
5 a memorandum to Patrick Cantilo (of Cantilo & Bennett, LLP), Jon Koplovitz (of The
6 Blackstone Group), and Sandra Hunt (of PricewaterhouseCoopers LLP) (copy attached as
7 Exhibit B). I had the stock plan and supporting materials delivered by messenger to Mr.
8 Odiorne on the afternoon of October 17, 2003, and courtesy copies were sent to the
9 consultants by Federal Express that same day.

10 5. I was asked to respond as well to the last item in the September 10, 2003,
11 Schedule of Deficiencies—namely, schedules of assets and liabilities to be transferred to
12 Premera's Alaska subsidiary upon consummation of the proposed reorganization. I found
13 this difficult: we do not (and cannot) know when the transaction will close, and the value
14 of what will be transferred depends upon what is shown by a balance sheet "snapshot" of
15 Premera's Alaska operations at that time.

16 6. On October 28, 2003, I wrote a letter to Deputy Commissioner Odiorne
17 (copy attached as Exhibit C) describing where such information can be found. Exhibit A-
18 6 of the Form A, Certificate of Authority Application for Premera Blue Cross Blue Shield
19 of Alaska Corp., Section 6, Subsection C, Pro-Forma Financial Statements, Projections,
20 and Assumptions (Statutory Basis), at p. 4, shows the nature and projected amount of the
21 assets and liabilities of the Alaska entity as of January 1, 2003, December 31, 2003, and
22 December 31, 2004. The schedules to the asset transfer agreement will contain the same
23 categories of assets and liabilities (as determined on a statutory accounting basis) as
24 shown in Exhibit A-6, at p. 4. Their values will depend upon the date of the transaction.
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DECLARATION OF JOHN P. DOMEIKA - 2

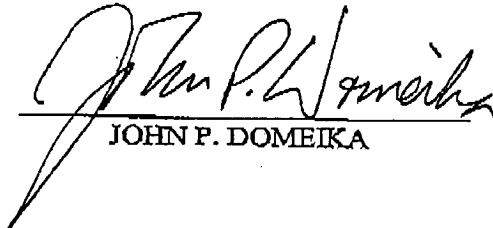
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I declare under penalty of perjury under the laws of the State of Washington that
the foregoing is true and correct:

EXECUTED this 31st day of October, 2003 at Seattle, Washington.


JOHN P. DOMEIKA

DECLARATION OF JOHN P. DOMEIKA - 3

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EXHIBIT A

VIA MESSENGER

October 17, 2003

James T. Odiome
Deputy Insurance Commissioner
Office of the Insurance Commissioner
5000 Capitol Boulevard
Tumwater, Washington 98501

Re: Premera's Proposed Reorganization/Stock Program

Dear Deputy Insurance Commissioner Odiome:

By letter dated September 10, 2003, the Commissioner notified Premera that its Form A filing is not complete without the stock ownership plan that Premera would adopt in connection with the conversion. The notice indicates that Premera's commitment to abide by the limitations and restrictions on stock programs as contained in Exhibit G-10, filed in October 2002, does not provide sufficient detail about potential stock programs. The draft reports of the OIC consultants, issued October 3, 2003, identify specific stock plan terms they would like to review in their consideration of the proposed reorganization.

While Premera does not believe that a stock ownership plan is a required part of a Form A filing, or that the Form A was deficient prior to this submittal, it does want to provide the Commissioner all the information he believes is appropriate for consideration of the proposed reorganization. To meet the Commissioner's request, the Board of Directors of Premera has undertaken review of the specific terms of stock programs it would implement should the conversion be approved. Accordingly, the Board has approved and asked management to deliver to you the following:

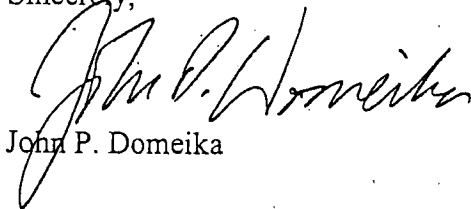
- (a) Equity Incentive Plan (and ancillary agreements referred to therein), and
- (b) Mercer Human Resource Consulting presentation to Premera Board of Directors dated October 17, 2003 ("Mercer presentation"), marked to reflect the stock plan terms as approved by the Board.

The Equity Incentive Plan, and the approved terms as reflected in the enclosed mark-up of the Mercer presentation, address each of the stock plan provisions identified by the

OIC consultants in their draft reports, and provide the specifics they requested in those draft reports.

The Equity Incentive Plan (and ancillary agreements) referred to in subpart (a) above are being provided to you without restriction on public dissemination. The Mercer presentation (as presented to the Board and as modified to reflect the Board approval) in subpart (b), contains confidential and proprietary information. Accordingly, the Mercer presentation (as presented to the Board and as modified to reflect the Board approval), is designated as not for public disclosure. The document, of course, is subject to disclosure pursuant to the procedures and limitations established by the Commissioner in his Eighth Order: Protective Order.

Sincerely,

A handwritten signature in dark ink, appearing to read "John P. Domeika", is written over the typed name. The signature is fluid and cursive, with a large initial "J" and "P".


John P. Domeika

EXHIBIT B

FEDERAL EXPRESS

MEMORANDUM

To: Patrick Cantilo, Cantilo & Bennett, L.L.P.
Jon Koplovitz, The Blackstone Group
Sandra S. Hunt, PricewaterhouseCoopers LLP

From: John P. Domeika, Premera Blue Cross 

Date: October 17, 2003

Re: Premera Proposed Reorganization/ Stock Program

Enclosed please find a courtesy copy of a transmittal letter and related stock plan documents that are being delivered today to Deputy Commissioner Odiome.

Please note that the document at Tab B is designated as "Not for Public Disclosure" as more fully discussed in the letter to Mr. Odiome.

cc: James T. Odiome, Deputy Insurance Commissioner

EXHIBIT C

October 28, 2003



James T. Odiome
 Deputy Insurance Commissioner, Company Supervision
 Office of Insurance Commissioner
 P.O. Box 40259
 Olympia, WA 98504

Dear Deputy Commissioner Odiome:

Re: Premera Form A Statement

This letter addresses the third item in the schedule of deficiencies that Christina Bensch faxed to Premera's counsel on September 10, 2003.

The notice asserted a deficiency regarding Schedules 1 (Assets) and 2 (Assumed Liabilities) to Exhibit D (Exhibit G-11 to the Form A). The asserted deficiency was supported by the Declaration of James E. Tompkins (dated September 11, 2003), filed in connection with the Insurance Commissioner's Memorandum Regarding Deficiencies in Premera's Form A Statement (dated September 12, 2003) in *Premera v. Kreidler*, Thurston County Cause No. 03-2-00112-8. Paragraph 8 of Mr. Tompkins' declaration states that the Insurance Commissioner needs "information regarding the amount and nature of the assets and liabilities that will be withdrawn from the company [for the Alaska subsidiary] as a result of the transaction"


The Form A Statement sets forth the amount and nature of projected Alaska subsidiary assets and liabilities, as of various dates. Specifically, Exhibit A-6 of the Form A, Certificate of Authority Application for Premera Blue Cross Blue Shield of Alaska Corp., Section 6, Subsection C, Pro-Forma Financial Statements, Projections, and Assumptions (Statutory Basis), at p. 4, shows the nature and projected amount of such assets and liabilities as of January 1, 2003, December 31, 2003, and December 31, 2004.

The schedules to the transfer of assets agreement will contain the same categories of assets and liabilities (as determined on a statutory accounting basis) as are on file in the Form A in above-referenced Exhibit A-6, at p. 4. Additional specificity about amounts was, at the time of the filing of the Form A, and remains at this time, impossible to provide. The amounts to be listed, which will be consistent with the projections that were provided in Exhibit A-6 of the Form A, are dependent on the date of closing of the transfer of assets agreement. That date is contingent on the closing of the reorganization contemplated in the Form A, which of course could not be known when the Form A was filed and remains unknown today. The specificity sought in the deficiency notice is impossible to provide until after the reorganization is approved and the transfer of assets agreement closes.

Mr. James T. Odiome
October 28, 2003
Page Two

Accordingly, we respectfully reiterate that there is no deficiency in the Form A with respect to the above-referenced exhibits.

Sincerely,



John P. Domeika
Senior Vice President and General Counsel
(25) 918-5277

cc: Gloria G. Glover